



Talking 'Bout Lead Generation: Selling Students to the Highest Bidders

Introduction

The U.S. college admissions process is expensive and stressful, for everyone from high-achieving high school students to first-generation adult learners. It is also surprisingly ineffective —only about 30% of students headed to a four-year college graduate from that college within six years (about [40% take longer or don't graduate](#) at all, and about [30% transfer](#)). We can and should do better.

A good start is to rein in the \$1.75 billion lead-generation industry[1], many of whose practitioners reap handsome profits by publishing misleading advertisements for higher education programs. Instead of fulfilling their claims of helping prospective students find the right schools for their needs, interests and resources, many sites promote lower-quality institutions, and in doing so far too many rely on what can only be described as misrepresentation. Rather than providing an objective resource, many lead-generation sites simply sell personal information – often detailed -- about those prospects to marketers working for those schools that have paid for access. If substandard schools are tumors on the body of higher education, these sites serve as their blood supply.

To assess the issue of misleading advertising, Noodle commissioned a survey of consumers to determine the extent of confusion over lead gen sites, and examined some of the relevant laws and regulations. The key findings:

- 1) A survey of consumers who plan to begin a college or graduate program in the next two years found that a majority of respondents believed their search results on lead generation sites were based on a neutral evaluation of their search criteria.
- 2) A similar majority thought the listings were based on objective criteria and not paid advertisements.
- 3) A substantial proportion of prospective students who used these sites would not have relied on the information they received had they known how the schools were chosen.

The widespread deceptive practices currently employed by far too many education lead generation sites send students to schools to which they are not well-matched and where they will often fail, at great expense. But we can fix the problem with the stroke of a pen.



A review of existing laws and regulations governing the Title IV Federal student financial aid programs also revealed that the U.S. Department of Education already has the legal authority to rein in these practices so that prospective students are fully aware of the nature of the services they are seeking.

Lead Generation

Lead generation is a marketing strategy that has been used in many sectors, from home mortgages to health care. Lead generators use a variety of techniques -- telemarketing, affiliates, partnerships, display ads, email, SMS, and direct web forms -- to engage consumers who are actively shopping for a product, then capture their demographic and contact information, turning those consumers into sales “leads.” Lead generators then sell these leads to their clients, an advertising practice known as pay-per-lead.

This is not an inherently unethical practice. As opposed to standard display ads, performance advertising like pay-per-click (Google’s model) or pay-per-lead (Zillow’s model) makes publishers accountable. Google and Zillow, however, are careful to separate church and state (organic content and ads); advertising on the site does not affect one’s search ranking, and ads are always labeled as such.

Education Lead Generation

But as executed in the postsecondary education sector, lead generation is more problematic. Sites present themselves as neutral sources of unbiased information—legitimate search engines on which students input an academic program and location, and get a list of schools that match their criteria.

In reality, on many sites schools pay to be listed. Students who think they are receiving objective guidance aren’t getting a list of schools that might be a good fit based on their needs; they’re getting a list of paid advertisers.

To understand why this might confuse students, consider the difference between a college fair and a high school counseling office. At a college fair, prospective students go from table to table, each one

The screenshot shows the 'Guide to Online Schools' website. The header includes the site's logo and navigation tabs: ONLINE SCHOOLS, DEGREES, STUDENT REVIEWS, ONLINE COLLEGE RANKINGS, and SCHOOL COMPARISON. A search bar prompts users to 'Find a Business School' and displays '818 Degrees from 42 Schools'. Below the search bar, there's a section for 'Accredited Schools Offering Online Business Degrees'. On the left, a 'REFINE YOUR SEARCH' sidebar allows filtering by criteria like 'Most Affordable (17)', 'Recommended (7)', 'Non-Profit Schools (18)', 'Military Friendly (16)', 'Level' (with 'Master's (20)' selected), and 'Subject' (with 'Business (20)' selected). The main content area shows a list of schools. Two schools are visible: 'University of Phoenix' with 190 programs and 19 Master's degrees, and 'University of the Rockies' with 44 programs and 11 Master's degrees. Each school entry includes a 'Request Information' button and details about tuition fees and recommendation rates. A 'Compare School' button is also present for each entry.

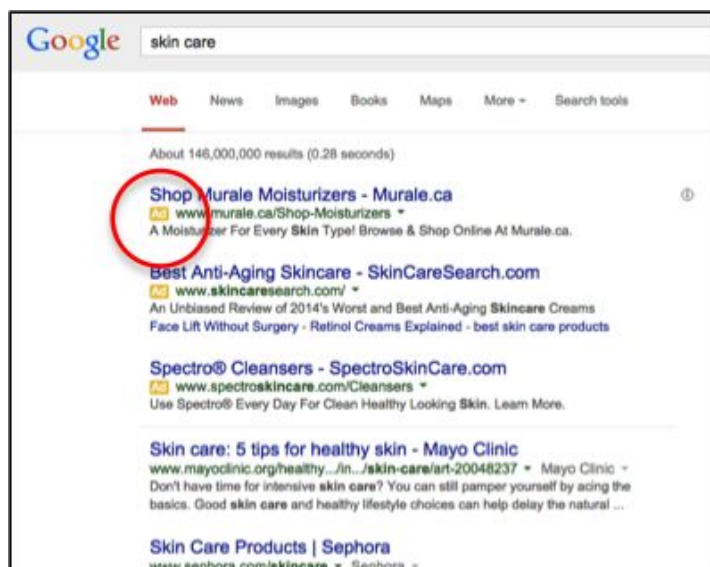


prominently displaying the name of the sponsoring institution, talking to people whose job it is to interest students in their schools. The college recruiter is not going to suggest the student look at another school; quite the contrary, and that is not what the student expects. Colleges typically pay a fee to have a table at a college fair, and students know they are not the only, or the best, schools around.

The situation when a student sits down with a counselor is very different. The counselor is expected to look at the student's profile and identify schools that are most appropriate to his or her needs. Here the student expects – and has a right to rely on – the objectivity of the counselor.

Many lead generation sites portray themselves as electronic counselors, but in reality they are representing a stable of schools that have paid for the opportunity to actively recruit prospective students. The site has sold “tables,” and in the most egregious cases, only the schools that buy them are listed. The prospective students who use these sites expect to be led to appropriate options; instead, they are far too often misled, being steered either to schools for which they are not well suited or – much worse -- low-quality educational options with low graduation rates and higher prices.

Models vary from site to site. The most questionable lead generation sites list only programs that pay them, or list them in order of how much they pay, while others seek to create an appearance of quality by mixing in other institutions. Some sites list a handful of programs, the selection of which defies objective analysis. For example, a search on Guidetoonlineschools.com[2] resulted in only 29 online MBA programs, even though there are well over a hundred. Nowhere are the criteria for this selection disclosed.



Disclosure

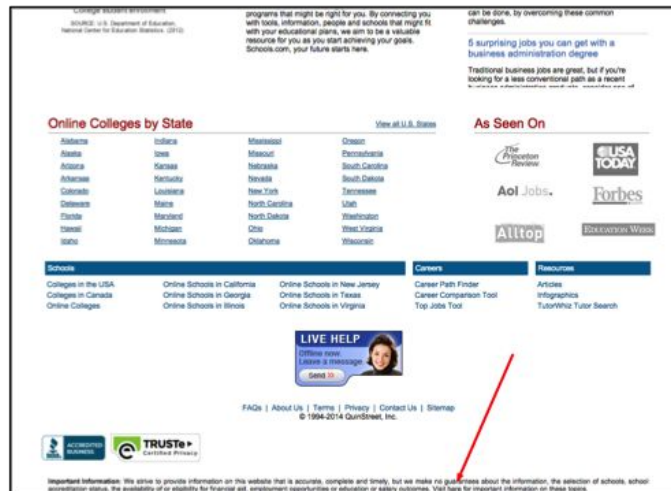
Reputable Internet search sites clearly label their advertisements as such (Google, for example, denotes paid ads with the “Ad” icon).

Such disclosures on lead generation sites are rare; those that do exist are often difficult to find, inadequate or confusing. For example, school lists on

degreedirectory.org include a greyed-out info icon, which brings up a tooltip containing this message:



“Popular schools are based on your content and search interest, and may include matching partner schools. Programs, curriculum, and outcomes vary by school.” There is no definition of a “matching partner school” on the site, not any indication whether such a school receives a preference in listing, and the rare prospective student who sees this disclosure is left to guess what it means.



Another lead generation site, schools.com, has a link in very small font at the bottom of its homepage to this disclaimer: “Read Important Notice about the schools featured on this site.” The link brings up the following text: “Our websites feature schools that are our clients and from whom we may receive compensation (‘Sponsored Schools’). Our websites do not, and are not intended to, provide a comprehensive list of all schools in the United States or of all schools located in a specific geographic area or of all schools that offer a particular program of study. Where Sponsored School listings appear on our

websites, Sponsored School listings will include a ‘sponsored results,’ ‘matching ads’ or similar label.” While this disclaimer is more complete, it still fails to inform students as to what they are really receiving. It is vague (“may receive compensation”) and difficult to find. What is the nature of the sponsorship, and what does it entail? How does it impact the recommendations?

Postsecondary lead generation sites are ubiquitous, covering programs from PhDs to bachelor’s degrees in criminal justice to nurse practitioner programs. These sites target consumers who have little information about the post-secondary education ecosystem, including first-generation college students, adult learners, and military veterans. The companies that create and maintain them employ hundreds of Internet marketers to insure their sites appear high in search results. (We tasked a staff member with creating a list of every education lead generation site on the Internet. After twenty hours of research, our staff person had found 115 such sites with varying degrees of disclosure, and reported that she didn’t know how much longer the project would take because “there seems to be no end to these sites.” Our incomplete list is available [here](#).)

(We began creating a list of every education lead generation site on the Internet, and found 70 before realizing there were so many that we could not even put a timeline on the project. Our incomplete list is available [here](#).)

There are of course federal and state laws that apply to all Internet-based lead generation. The Federal Trade Commission, for example, publishes detailed guidelines to ensure that online



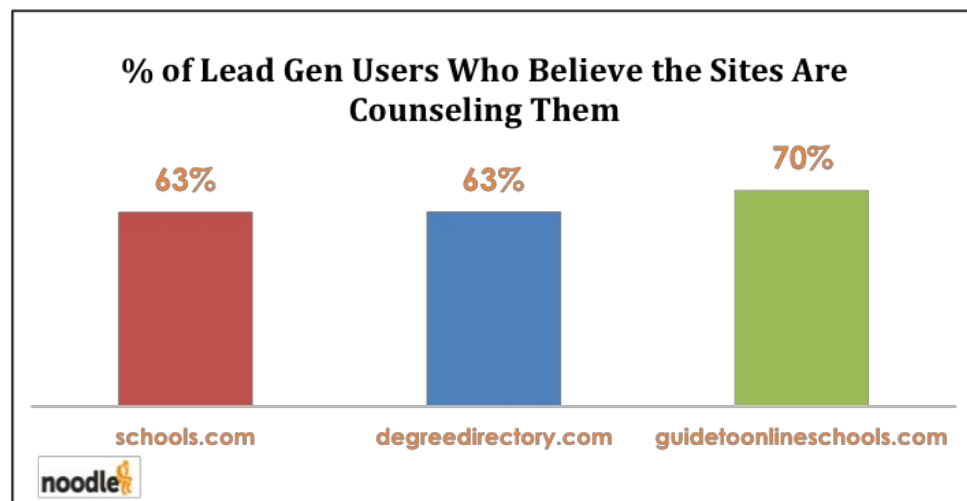
advertisers comply with consumer protection laws. The guidelines state that required disclosures must be “clear and conspicuous,” even specifying where a disclosure should appear (as close as possible to the ad, and visible without scrolling) and how prominently a disclosure link should appear. Unfortunately, very few of the lead generation sites we saw adhere to these guidelines; that tiny link at the bottom of the schools.com homepage, for example, appears to ignore FTC guidelines that a hyperlink to a disclosure be labeled appropriately to convey the importance of the information it leads to, and be as close as possible to the information it qualifies.

The Noodle Survey

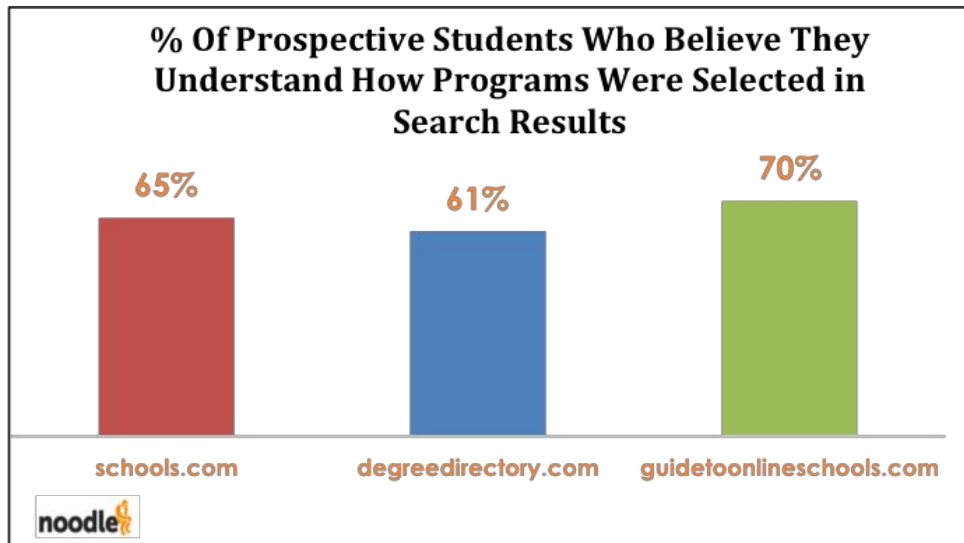
To find out if these disclosure notices inform consumers effectively, we commissioned an independent research firm to survey people planning to enroll in a post-secondary educational program in the next two years and who had previously searched for programs online. Their responses indicate that most prospective students misunderstand the nature of the lead generation sites upon which they are relying for objective advice.

[CHART]

A majority (65%) of respondents believe they are getting counseling—i.e. information that helps them make a smart decision about choosing a post-secondary educational program.



Some demographic differences impact respondents’ perceptions of the search results. Those who are more likely to trust the sites are older than 26. This suggests that prospective students who are less likely to have access to guidance counseling about schools and programs, are most likely to believe they are being counseled by these sites.

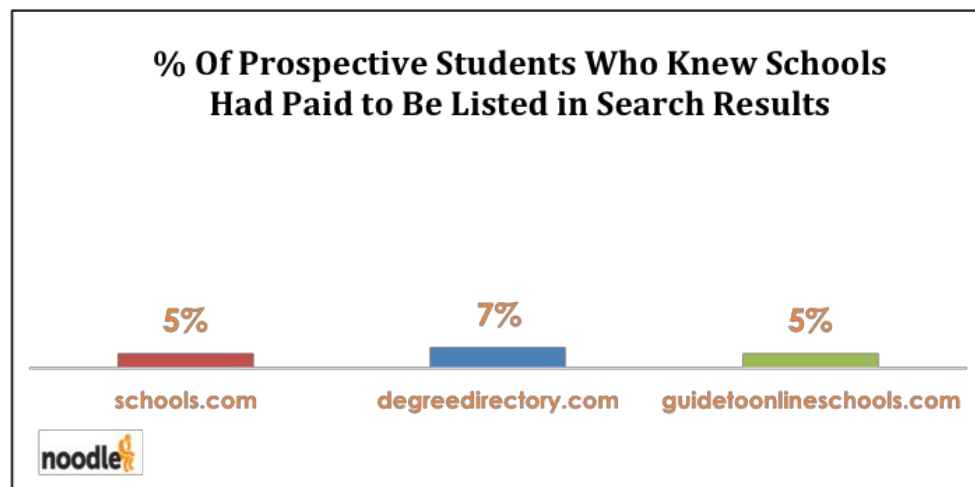


[CHART]

A majority of respondents (65%) believe they understand how lead generation sites generate their search results.

[CHART]

Most respondents, even those who believe they understand how search results are generated, are mistaken. Only 6% knew that schools were paying to be listed on these sites. Respondents

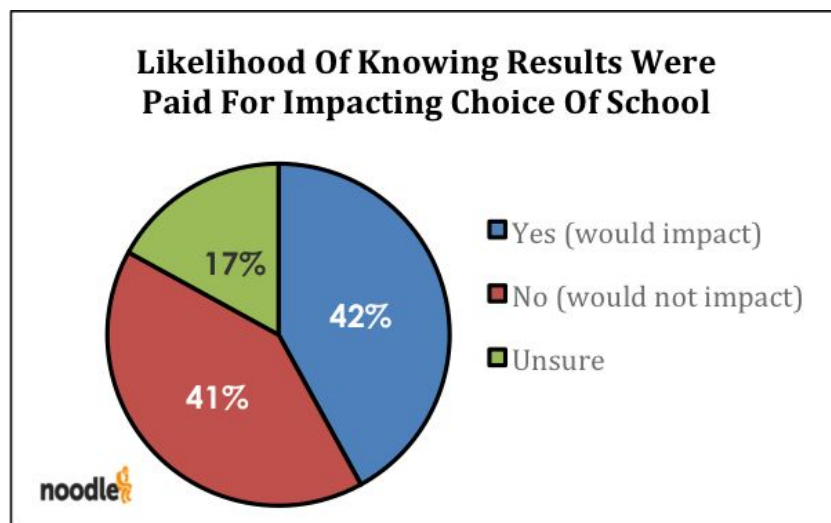


were most likely to cite search criteria, degree specialty, and popularity/reviews as the rationale for their results:

- *“Colleges that are best financially and close to my personal interests.”*
- *“The website offers people with a general idea of what they want a choice of colleges that offer related degrees.”*
- *“By degree/ choice of classes offered/ career choice.”*
- *“The program targets schools that have the programs then narrows it even more by schools that offer the variety of degree”*
- *“Students offer their opinions to aid with your selection.”*



- *"I feel like they are selected by the either people who went there or just by which are the most well-known around the country."*
- *"rankwise"*
- *"Popularity, price location"*
- *"Each degree thrives better in certain schools, so depending on what degree you choose...the website trikes to show you some of your best options in regards to that degree"*



[CHART]

Knowing that search results are paid would impact the choice of school or program for 42% of prospective students. When considering the impact of paid search results on their perceptions of the search sites, schools, and programs, respondents are split between "I'm not surprised" and "my trust has been broken." There are no differences in impact by demographics. Responses upon

discovering that results were based on pay include:

- *"Like it's all a joke. they don't really care about finding the right school for you, as long they're getting paid by the schools"*
- *"It would make me wary of their credibility"*
- *"That would greatly affect how I looked at the sites. I thought these colleges were based off of what was offered, like it should be. If its based off of money, richer schools can get more attention even if they don't offer the best academic plan for a student."*
- *"To me it makes the schools seem desperate."*
- *"I would feel like other options that may be best for me weren't represented"*
- *"I would not consider these schools because they were not put on the list based on their qualifications"*
- *"This would skew my thinking about the schools because they weren't listed based on the information I gave, rather in a "bribe" type of way. This would make me think twice about even apply to a specific school."*
- *"I would be less likely to trust the site because it would not give me unbiased results."*
- *"That the site didn't have my best interests at heart and that it was just designed to sell me something."*



- *"I would think these school are bad and the sites just as horrible."*

This initial survey was of 203 prospective college students; we would be happy to collaborate with any group wishing to replicate the findings.

U.S. Department of Education Regulations

Because deciding on an institution higher education is so important – and because there is such a strong public interest, notable but not limited to the billions of dollars of Federal and state funds that flow to institution—prospective students need more protection than the average consumer. Fortunately, the U.S. Department of Education has the authority to hold institutions that provide access to Federal student aid and their vendors to a higher standard.

On October 29, 2010, the U.S. Department of Education published final regulations on a variety of program integrity issues See 75 FR 66832. These rules serve to ensure the integrity and transparency of student recruiting practices, especially those conducted online. A revised rule on misrepresentation, at 34 CFR 668.71, is an important safeguard against abusive Internet marketing tactics and bars any false or misleading statement about the nature of an institution's educational programs, including specifically :

"Misrepresentation concerning the nature of an eligible institution's educational program includes, but is not limited to, false, erroneous or misleading statements concerning whether its courses are recommended or have been the subject of unsolicited testimonials or endorsements by—educational organizations, employment agencies, members of a particular industry, students, former students, or others." (34 C.F.R. 668.72(e)).

Under existing rules, universities may be subject to a variety of sanctions, up to revocation of their eligibility to participate in the Title IV programs, for substantial misrepresentations, which are any misrepresentations upon which a student relies to his or her detriment, and which include any statements made in advertising, marketing or promotional materials. *Notably, schools are responsible for assuring that the marketing practices of any third party firm they contract with for recruiting services also comply with the Department's rules (see 34 CFR 668.71).*

The Department must make it crystal clear to institutions that participate in the Federal student aid programs that they have a legal obligation to ensure that businesses with which they contract for recruiting services – specifically including lead generation sites -- act in a responsible manner. Schools must understand that they will be at risk when their vendors act in a misleading manner.



Enforcing the Regulations Would Not Alter Any Legitimate Business Practices

People within higher education agree that a crackdown on misleading lead generation would benefit students and schools. “Getting rid of some of the noise around recruiting would allow us to compete on the basis of our instruction and our outcomes,” said the president Carrie Besnette of a top community college. And doing so would “reverse the race to the bottom that suck otherwise thoughtful companies into the muck”, says the head of one of the leading lead generation organizations.

Interestingly, nearly half the survey respondents said that they were not bothered by school advertisements, and that knowing that schools had paid to be listed would not affect their consideration of the information. Responses included:

- *“It would not bother me that they paid to be advertised.”*
- *“I believe that is fair for them to pay for advertisements. Since we as students pay to take the classes I believe its probably useful for the school to pay to get the word out. Not like they can’t afford to put the word out.”*
- *“I don’t really mind because if it is not a well known school, I think it is a appropriate way to advertise.”*
- *“It would make me more patient because I know the school intended the website to be of some kind of help.”*
- *“I don’t see any issue with it, if the school has money to spend on advertising it’s probably a promising school”*
- *“It wouldn’t really, it just means they might think they deserve credit and are getting left out of the process.”*

This suggests that lead generation sites can honestly disclose their advertising practices and still attract students.

Some respondents put the onus back on the searcher, saying that it is imperative to do deeper, more careful searches. These responses suggest that an adequate disclaimer would benefit prospective students by encouraging them to do additional research.

- *“It would make me research more about my school decision. I wouldn’t take the first answer as seriously. I would want to dig a little deeper and cross-check the schools said to be my best match.”*



- *"I would not be surprised. It is almost expected in this day and age. I would say that outside research ought to be done by the users of these sites to find out if a particular school is right for him/her."*

Recommendations

There are intractable problems in education, but this isn't one of them. Our survey supports the obvious contention that many lead generation sites are misleading students, potentially causing them real harm. The U.S. Department of Education has the tools to force those sites to make full and effective disclosure to students (and to prove the same through surveys of their own), by appropriately sanctioning schools buying leads from sites that continue to mislead. It should do so.

-John Katzman & Jillian Youngblood
Noodle
January 12, 2015

About Noodle: Through unbiased data and real-world advice, Noodle connects students with schools, programs, resources, experts and more. Noodle is the best way to discover and compare educational opportunities at any stage of learning. And no, it's not a lead gen site.



[1] http://www.iab.net/media/file/IAB_Internet_Advertising_Revenue_Report_FY_2013.pdf

[2] Screenshots were taken on December 23, 2014 and may have changed since the publication of this report.